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C O N F I D E N T I A L SEOUL 001448

SIPDIS

PASS USTR FOR CUTLER, TRICK AND YOO

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TAGS: [PGOV](#) [PREL](#) [PINR](#) [KN](#) [KS](#)
SUBJECT: SCENESETTER FOR JULY 23 S MEETING WITH ROK FM YU
MYUNG-HWAN

Classified By: Amb. Alexander Vershbow. Reasons 1.4 (b,d).

SUMMARY

¶1. (C) With two weeks to go before President Bush's visit to Seoul, most Koreans see the Lee Myung-bak government -- particularly its foreign policy -- as rudderless. Hence, the ROKG is a friend in need. Your meeting with Foreign Minister Yu Myung-hwan comes as Korea is simultaneously dealing with aftershocks from the beef controversy, outrage over Japan's claim on Liancourt Rocks, and the shooting death of a South Korean tourist at Mt. Kumgang. Preoccupied by these issues, Yu will likely not have much new to say on North Korea, the upcoming summit, FTA ratification, Visa Waiver Program, or alliance issues, despite the fact he knows there is work to be done on all fronts. Your meeting is an opportunity to reassure the Koreans that we remain committed to the relationship and are sensitive to their domestic difficulties, while stressing the need to get back to work on our common agenda.

¶2. (C) The silver lining to the current ROK woes is that the beef issue has been overshadowed by confusion over Lee's North Korea policy and anger toward Japan. Despite the sensitive political and diplomatic situation in the ROK, we recommend you attempt to give a boost to our relationship by making the following points:

-- NORTH KOREA: Emphasize the importance of pressing ahead with denuclearization in the Six Party Talks (6PT), including a rigorous verification regime for phase 2 and an early DPRK commitment to "abandonment" as the goal for phase 3. Despite current North-South tensions, a Six-Party ministerial meeting is a real chance to create new momentum toward denuclearization and advance discussions on reinforcing mechanisms such as NEAPSM.

-- FTA AND BEEF: Make clear we are glad we could work together to alleviate public concerns while keeping the FTA process on track during the beef episode. The U.S. remains committed to the FTA, and is working hard to build support for its Congressional approval by the end of this year.

-- SUMMIT PREPARATIONS: While it may not be possible to produce a bold "vision statement" for next month's summit, it

is an opportunity to show that the beef crisis is behind us. The summit should send the message that we are committed to upgrading the alliance, united in our approach to North Korea (despite Pyongyang's wedge-driving), determined to ratify the FTA this year, and optimistic about Korean entry into the Visa Waiver Program by year's end. We can also highlight our common approach to new challenges like Climate Change.

-- NEW EMBASSY COMPOUND (NEC): It would help if you could point out that a new U.S. Embassy built at Camp Coiner would be a tangible symbol of the strengthened U.S.-ROK relationship. To accomplish this, however, a cultural heritage survey must be conducted this year so that we can finalize our acquisition of the site -- we cannot live with another 4-5 years of uncertainty. END SUMMARY

LEE, LEGISLATURE LIMPING

¶3. (C) The National Assembly, while formally back in session after a month's boycott by the opposition, remains stuck in neutral, with no clear indication of when it will get into gear. With no pressure to resolve the fight over dividing the chairmanships of the committees and no pressing legislative agenda, the Assembly could remain stalled well into September. The main opposition Democratic Party (DP), with only 81 members and offering no clear policy alternative to the ruling Grand National Party (GNP), has no option but to obstruct, bluster and stall. Despite an overwhelming conservative majority and urgent economic problems to address, Lee Myung-bak's tepid support has left him timid,

unwilling to push the Assembly or the public -- both realms with which he appears to be woefully out of sync -- and unclear as to what his country wants of him as a leader.

¶4. (C) As he struggles to regain traction, Lee does not know if he should "bulldoze" or accommodate his critics. Neither method has worked, and the result is a haphazard approach to policies and personnel decisions and the impression that Lee has no idea what he should do next -- a very dangerous situation in the hierarchical world of Korea. Many of his officials believe that gaining more control of the media (especially state TV channels that inflamed public opinion over U.S. beef) is the most crucial task if Lee is to regain public support. Last week, Lee appointed a close campaign official to head up the all-news station YTN, which resulted in a strike at the government-run agency. His administration is also pressuring the head of the Korea Broadcast System (KBS) network to step down, leading critics to say that his Administration is curbing freedom of the press.

TRADE -- FTA AND BEEF

¶5. (C) After nearly three months -- the standard life expectancy for Korean political crises -- the beef episode has largely wound down. Nightly candlelight vigils have ended (while there are occasional weekend protests, they are much diminished in number, and are more about domestic politics than U.S. beef); U.S. beef has re-entered the Korean market (and sales are outpacing expectations); and polls show the majority of the public wants the protests to stop and life to return to normal. Moreover, recent investigations have revealed a pattern of deliberate media misinformation about the safety of U.S. beef, particularly in the television "documentary" that triggered the initial protests, and that has made it easier for the GNP and conservative media to push back against opponents.

¶6. (C) That said, the Lee Government is not fully out of the woods yet. As part of the deal with the Opposition to launch the new National Assembly session earlier this month, Lee's GNP party agreed to a parliamentary audit (running through August 20) of the bilateral beef negotiations. While the GNP hopes the record will demonstrate to the Korean people that

former President Roh moo-hyun had the same beef policy that President Lee ultimately implemented, it's not inconceivable that unexpected revelations during the audit (or, worst case, another BSE finding in the U.S.) could trigger more public demonstrations.

17. (C) Once the audit concludes, Lee's Government hopes to resume with its trade agenda -- first and foremost the passage of the KORUS FTA. The comfortable GNP majority in the National Assembly should make FTA ratification easy once a legislative vote is finally scheduled, possibly as early as September. However, the vote could be stalled by lingering post-beef concerns over appearing too pro-American, particularly if the Opposition seems inclined to make the FTA, like beef, a political cudgel with which to beat Lee (rather than vote in favor of a trade agreement their own party launched and signed). Our own difficulties with Congress on trade policy continue to cause deep concern for the ROKG, whose nightmare scenario is that Korea rushes to ratify KORUS and Congress does nothing. That would demonstrate to Koreans that Lee has received nothing for his commitment to the alliance and the FTA (and Congressional ratification of the Colombia FTA, without KORUS, would only exacerbate that).

18. (C) We continue to express optimism that there remains a window of opportunity to get the FTA ratified by Congress this year, as part of a big package deal on trade, and point to the multiple expressions of support for KORUS from the President, yourself, Susan Schwab, and other senior Administration officials. That said, given U.S. domestic political realities, we have been careful not to push too aggressively for immediate Korean ratification, lest the Koreans interpret that as a promise of U.S. action. Our key

ROKG interlocutors understand that after the beef interlude, which seemed incomprehensible to U.S. and other foreign audiences, Korea ratification of the FTA would help send the signal that Korea is continuing to push ahead with its trade agenda -- and help change the subject from beef.

ROK VIEW OF 6PT AND DPRK

19. (C) The ROKG remains a strong supporter of the Six-Party Talks process, in sync with us on verification. As Chair of the Energy and Economic Cooperation Working Group, Seoul has conscientiously tried to keep the ball rolling on energy assistance in exchange for DPRK disablement. In addition, the ROKG was prepared to support the launch of the Northeast Asia Peace and Security Mechanism (NEAPSM) when John Negroponte visited in May, though the ROKG noted that 6PT consensus on such a mechanism would be hard to achieve. In short, the ROKG remains the USG's strongest partner in the 6PT. The only wrinkle is fresh ROK-Japan tensions over Japan's July 14 announcement of a decision to list the Liancourt Rocks as Japan-claimed territory in upcoming national textbooks. In reaction, the ROKG recalled its Ambassador to Japan for the first time since 2001. Expect marked coolness between the ROKG and GOJ delegations after a week of tension and political rhetoric on both sides of the East Sea (as the Sea of Japan is known in Korea).

110. (C) At the same time, tension in the inter-Korean relationship continues to build. The North has rejected dialogue ever since President Lee took office and made statements insisting cooperation with the North had to be on a give-and-take basis, and had to be connected to progress on denuclearization. The months of radio silence have left many in the ROK feeling left behind, as U.S.-DPRK relations appear to be moving ahead. This feeling likely prompted Lee to announce in his July 11 speech to the National Assembly that he was willing to reopen dialogue with the North. This offer seemed clumsy, however, since just hours before the speech, a 53-year-old ROK woman was shot and killed at a beach near Mt. Kumgang. The North's pat refusal to discuss the matter or even answer the phone has raised tensions further. The DPRK appears willing to forego the estimated USD 3 million per

month it makes from Mt. Kumgang tourism rather than apologize for the shooting or allow a ROKG investigation.

¶11. (C) The contrast with late 2007 -- after then-President Roh Moo-hyun met Kim Jong-il in October, followed by a raft of inter-ministerial meetings and infrastructure-development plans -- is stark. In short, the South-North relationship is on ice, so no ROK-DPRK breakthroughs should be expected in Singapore either. This is relevant to the overall 6PT process, because in some instances in the past, the South's ability to talk to the North has helped overcome 6PT roadblocks (e.g., February 2007 energy agreement).

ALLIANCE ISSUES

¶12. (C) Fallout from the beef issue has had a profound influence on the dialogue between our governments on alliance issues. To rush into any controversial alliance agreements, our ROKG interlocutors believe, is to open the door to nascent anti-Americanism that the public discourse has thus far largely avoided. Already the ROKG has taken care to push all ongoing alliance issues to the back burner. Until this week, the ROK side repeatedly postponed bilateral talks on alliance issues, including the next round of the Special Measures Agreement (SMA) burdensharing negotiations, and talks on the environmental issues relating to the return of nine closed USFK camps. SMA and camp returns have long been two of the most sensitive alliance issues for the Koreans, as they require committing ROK budgetary expenditures and have generated significant criticism for "not standing up to the U.S." in previous negotiations. Other issues that the Korean public sees as being on the U.S. "wish list" -- such as continued or expanded ROK participation in Iraq and Afghanistan, or full involvement in PSI -- will also prove

more difficult to move forward in the short and medium term. On the bright side, the National Assembly recently passed legislation to extend the ROK peacekeeping operation in Lebanon for an additional year. The decision to do so follows on the heels of UN Secretary Ban Ki Moon's visit and his lobbying for continued expansion of ROK involvement in UN PKO mandates.

NEW EMBASSY COMPOUND

¶13. (C) After your June visit, negotiations began on finalizing the U.S. acquisition of land at Camp Coiner for a New Embassy Compound (NEC), which was provisionally agreed upon in 2005, but complicated by the subsequent 4-5 year delay in USFK's departure from the site. OBO expects to present conceptual drawings to Seoul officials in two months for approval and could have full plans ready by the end of ¶2008. A cultural heritage survey must be conducted, however, before a deal can be struck, and the ROKG currently insists that the buildings on the site must be demolished before the survey. This would set us back another 4-5 years, with no guarantee that the site survey wouldn't turn up something to derail the acquisition. Your mentioning the importance of the NEC issue to FM Yu would help sustain high-level ROKG attention to this issue so that we get a firm agreement on the new site this year.

COMMENT

¶14. (C) President Lee remains committed to his U.S.-friendly policies; however, he also appears incapable of reestablishing his authority or improving his image, which are crucial to progress on outstanding bilateral issues. As a consequence, substantive planning for the President's August 5-6 visit is stalled (and the new National Security Advisor cancelled a trip to Washington planned for this week to deal with crises closer to home). The good news is that

Foreign Minister Yu is the person best placed to get things back on track, with close allies from MOFAT heading the NSC and Ministry of Unification. So Yu, a dedicated proponent of the ROK-U.S. alliance, should have a good idea what his government is capable of producing in the months to come on the foreign policy front. Moreover, the KORUS FTA is still supported by a majority of Koreans and a surprising number also support a continued global role for Korea.

¶15. (C) Still, while foreign policy may stabilize under Yu's steady hand, President Lee's continued inability to manage domestic politics threatens to erode further his administration's credibility with the public. If Lee does not get his act together soon, he could find himself leading the least effective democratic Korean government in history. It is too soon to write off the "bulldozer" just yet, however, and President Bush's visit will hopefully serve as the catalyst for restarting work on our bilateral agenda.
VERSHBOW